

SETTLEMENT AGREEMENT
Bonneville Power Administration 2004 Transmission Rate Case

The undersigned signatories to this Settlement Agreement hereby agree to the following:

1. In the Bonneville Power Administration (BPA) 2004 Transmission Rate Case (Rate Case), the Transmission Business Line (TBL) will submit a proposal (Initial Proposal) commencing the rate process for the period FYs 2004 – 2005 (Rate Period) that reflects the following:

- a. Current 2002 transmission rates will be increased by 1.5%, and the 2002 transmission rate schedules and the general rate schedule provisions will otherwise be unchanged except as explicitly set forth below. If a rate schedule includes a maximum charge for any rate, the increase in rate level will be applied to the maximum charge. The following transmission rates will be increased by 1.5%: FPT-02.1; IR-02; NT-02 (Base Charge and Load Shaping Charge); PTP-02; IS-02; IM-02; and Delivery Charge (Utility Delivery). The FPT-02.3 charges will remain in effect for FY 2004, and will be increased by 3% for FY 2005. The increase in the FPT-02.3 rate shall be considered an adjustment to such rate. Therefore, such rate will next be subject to adjustment on October 1, 2007.

In addition, the General Transfer Agreement Delivery Charge will increase 1.5%.

- b. In addition to the above increase, the NT Load Shaping Charge will be increased by an additional \$0.015/kW per month to recover approximately \$1 million of the total amount paid by the TBL to the BPA Power Business Line (PBL) for redispatch associated with NT service. The NT rate schedule will otherwise be unchanged.
- c. The ACS rate schedule and General Rate Schedule Provision Spill Condition definition will be as specified in Attachment 1 to this Settlement Agreement.
- d. The Unauthorized Increase Charge (UIC) rate under all rate schedules that apply to Point-to-Point Transmission Service (the PTP, IS, and IM rate schedules) will equal two times the transmission rate (which, for short-term service, is based on the length of the reservation), but shall not in any month exceed 2 times the monthly rate for Long-Term Firm Transmission Service under such rate schedule. The UIC under the NT rate schedule will equal two times the NT Base Charge. Examples of the calculation of the UIC charge are shown in Attachment 2.

The Initial Proposal transmission and ancillary service rates are shown in Attachment 3.

2. Redispatch

- a. The signatories recognize and agree that there is value associated with the redispatch of hydro resources. The signatories further agree that during the FY 2004-2005 Rate Period they will work towards devising an approach so that hydro-electric and other generation can be appropriately compensated for redispatch in future rate periods. If TBL develops information during the Rate Period regarding the amount of redispatch by PBL, TBL will provide such information to any party requesting it.

- b. The revised Open Access Transmission Tariff (OATT) Attachment K (shown in Attachment 4 to this Settlement Agreement) will replace the existing Attachment K. The TBL will compensate the PBL for redispatch services associated with Attachment K by paying PBL \$3 million per year in FY 2004 and FY 2005 for all such services provided during such period. In the interest of reaching a settlement the signatories have agreed to this amount of compensation to the BPA PBL for providing redispatch during the Rate Period. However, nothing in this Settlement Agreement nor actions taken pursuant to section 2.a, above, will serve as a precedent for any methodology for implementing or valuing redispatch for future rate periods, or for the purpose of determining the rights of an RTO or any other regional transmission provider to require redispatch.
 - c. TBL will submit the revised Attachment K (Attachment 4 to this Settlement Agreement) to the Federal Energy Regulatory Commission (FERC) as a proposed amendment to BPA's Open Access Transmission Tariff, and will request that it be effective as of October 1, 2003. The signatories agree not to challenge the approval of the revised Attachment K by FERC, and, if FERC approves the revised Attachment K without change, the signatories agree not to challenge such approval in any judicial forum.
- 3. The TBL will convene a Business Practices and Systems Forum as set forth in Attachment 5 to this Settlement Agreement.
 - 4. No later than October 1, 2003, TBL will have appropriate scheduling and reservation systems in place so that customers are able to redirect firm transmission service by modifying points of receipt and delivery and are able to return to their original points upon expiration of the redirected service, in accord with FERC policy. To the extent permitted by FERC policy, customers will be permitted to redirect firm transmission irrespective of other requests for firm transmission if and to the extent that the redirected firm transmission service would make the same use of the same constrained paths as the original transmission service to the original points of receipt and delivery. TBL will make all reasonable efforts to have such systems available for testing by March 1, 2003.
 - 5. The signatories agree not to contest any aspect of the TBL's Initial Proposal, including but not limited to the level of any transmission or ancillary or control area services rate or any of the elements thereof, the methodologies and principles used to derive such rates, or any aspect of the rate schedules, and agree to waive their rights to cross-examination and discovery with respect thereto. If, however, the TBL does not submit an Initial Proposal consistent with the terms of this Settlement Agreement, the signatories may contest any aspect of the TBL's proposal.
 - 6. If no party in the Rate Case contests any aspect of the TBL Initial Proposal, the TBL will propose to the Administrator that he adopt the TBL's Initial Proposal and establish rates consistent therewith.
 - 7. The signatories will move the Hearing Officer to specify a date within a reasonable time of the prehearing conference by which any party to the Rate Case that has not executed this Settlement Agreement i) must object to the settlement proposed in this Settlement Agreement and identify each issue such party chooses to preserve for hearing; or ii) be deemed to have waived any right to object to the settlement proposal or preserve issues for hearing. If no party objects to the settlement proposal and preserves issues for hearing, the TBL shall propose to the Administrator that he adopt the Initial Proposal in its entirety. In the event that any party does so object, the TBL may, but shall not be required to, revise the

Initial Proposal as it believes appropriate, either after such party states its objection or after parties file their direct testimony. If the TBL decides not to revise its Initial Proposal, the TBL will propose to the Administrator that he adopt the Initial Proposal in its entirety. If the TBL decides to revise its Initial Proposal, the TBL and the parties will meet promptly to discuss a new procedural schedule that they will propose to the Hearing Officer, allowing the TBL a reasonable time in which to present a revised proposal and the parties a reasonable time to respond to such revised proposal. The signatories may contest any aspect of such revised proposal.

8. If the TBL submits an Initial Proposal consistent with the terms of this Settlement Agreement, and does not submit a revised proposal pursuant to section 7, the signatories agree not to enter any evidence into the Rate Case or make any argument in the Rate Case contesting any provision of section 36 of BPA's current OATT. If the Administrator establishes transmission rates consistent with the TBL's Initial Proposal and submits such rates to FERC for confirmation and approval, the signatories agree not to make any such argument before the FERC or any judicial forum during the Rate Period.
9. Nothing in this Settlement Agreement is intended in any way to alter the Administrator's authority and responsibility to periodically review and revise the Administrator's transmission rates or the signatories' rights to challenge such revisions.
10. If the Administrator establishes transmission rates consistent with the Initial Proposal and submits such rates to FERC for confirmation and approval only under the applicable standards of the Northwest Power Act and as part of a reciprocity filing, the signatories agree not to challenge such confirmation and approval of such rates or any element thereof, including the methodologies and principles used to establish such rates, or support or join any such challenge, and agree not to challenge such rates or any element thereof, including the methodologies and principles used to establish such rates, in any judicial forum. In addition, the TBL's commitment in section 4 of this Settlement Agreement shall apply only if the Administrator establishes rates consistent with the Initial Proposal and submits such rates to FERC for confirmation and approval.
11. The signatories agree that they will not assert in any forum that anything in this Settlement Agreement or any action with regard to this Settlement Agreement taken or not taken by any signatory, the Hearing Officer, the Administrator, FERC, or a court, creates or implies any procedural or substantive precedent or creates or implies agreement to any underlying principle or methodology, or creates any precedent under any contract between BPA and any signatory.
12. By executing this Settlement Agreement, no signatory waives any right to pursue BPA OATT dispute resolution procedures consistent with BPA's OATT (including without limitation any complaint concerning implementation of BPA's OATT) or any claim that a particular charge, methodology, practice or rate schedule has been improperly applied.

13. Nothing in this Settlement Agreement amends any contract or modifies rights or obligations or limits the remedies available thereunder.

This Settlement Agreement may be executed in counterparts.

/s/ _____ for

Party

Date _____

Attachment 1

SCHEDULE ACS-04 ANCILLARY SERVICES AND CONTROL AREA SERVICES RATE

SECTION I. AVAILABILITY

This schedule supersedes Schedule ACS-02. It is available to all Transmission Customers taking service under the Open Access Transmission Tariff and other contractual arrangements. This schedule is available also for transmission service of a similar nature that may be ordered by the Federal Energy Regulatory Commission (FERC) pursuant to sections 211 and 212 of the Federal Power Act (16 U.S.C. §§824j and 824k). Service under this schedule is subject to BPA-TBL's General Rate Schedule Provisions (GRSPs).

Ancillary Services are needed with transmission service to maintain reliability within and among the Control Areas affected by the transmission service. The Transmission Provider is required to provide, and the Transmission Customer is required to purchase, the following Ancillary Services: (a) Scheduling, System Control and Dispatch, and (b) Reactive Supply and Voltage Control from Generation Sources.

The Transmission Provider is required to offer to provide the following Ancillary Services only to the Transmission Customer serving load within the Transmission Provider's Control Area: (a) Regulation and Frequency Response and (b) Energy Imbalance. The Transmission Customer serving load within the Transmission Provider's Control Area is required to acquire these Ancillary Services, whether from the Transmission Provider, from a third party, or by self-supply. The Transmission Provider is required to offer to provide (a) Operating Reserve – Spinning, and (b) Operating Reserve – Supplemental to the Transmission Customer serving load with generation located in the Transmission Provider's Control Area. The Transmission Customer serving load with generation located in the Transmission Provider's Control Area is required to acquire these Ancillary Services, whether from the Transmission Provider, from a third party, or by self-supply. The Transmission Customer may not decline the Transmission Provider's offer of Ancillary Services unless it demonstrates that it has acquired the Ancillary Services from another source. The Transmission Customer must list in its Application which Ancillary Services it will purchase from the Transmission Provider.

Ancillary Service rates available under this rate schedule are:

1. Scheduling, System Control, and Dispatch Service
2. Reactive Supply and Voltage Control from Generation Sources Service
3. Regulation and Frequency Response Service
4. Energy Imbalance Service
5. Operating Reserve -- Spinning Reserve Service
6. Operating Reserve -- Supplemental Reserve Service

Control Area Services are available to meet the Reliability Obligations of a party with resources or loads in the BPA Control Area. A party that is not satisfying all of its Reliability Obligations through the purchase or self-provision of Ancillary Services must purchase Control Area Services to meet its Reliability Obligations. Control Area Services are also available to parties with resources or loads in the BPA Control Area that have Reliability Obligations, but do not have a transmission agreement with BPA. Reliability Obligations for resources or loads in the BPA Control Area shall be determined consistent with the applicable North American Electric Reliability Council (NERC), Western Electricity Coordinating Council (WECC), and Northwest Power Pool (NWPP) criteria.

Control Area Service rates available under this rate schedule are:

1. Regulation and Frequency Response Service
2. Generation Imbalance Service
3. Operating Reserve -- Spinning Reserve Service
4. Operating Reserve -- Supplemental Reserve Service

SECTION II. ANCILLARY SERVICE RATES

A. SCHEDULING, SYSTEM CONTROL AND DISPATCH SERVICE

The rates below apply to Transmission Customers taking Scheduling, System Control and Dispatch Service from BPA-TBL. These rates apply to both firm and non-firm transmission service. Transmission arrangements on the Network, on the Southern Intertie, and on the Montana Intertie are each charged separately for Scheduling, System Control and Dispatch Service.

1. RATES

a. Long-Term Firm PTP Transmission Service and NT Service

The rate shall not exceed \$0.166 per kilowatt per month.

b. Short-Term Firm and Non-Firm PTP Transmission Service

For each reservation, the rates shall not exceed:

(1) Monthly, Weekly, and Daily Firm and Non-Firm Service

(a) **Days 1 through 5** \$0.008 per kilowatt per day

(b) **Day 6 and beyond** \$0.005 per kilowatt per day

(2) Hourly Firm and Non-Firm Service

The rate shall not exceed 0.48 mills per kilowatthour.

2. BILLING FACTORS

a. Point-To-Point Transmission Service

For Transmission Customers taking Point-to-Point Transmission Service (PTP, IS, and IM rates), the Billing Factor for each rate specified in section 1.a, 1.b(1), and for Hourly Firm PTP Transmission Service specified in 1.b(2) shall be the Reserved Capacity, which is the greater of:

1. the sum of the capacity reservations at the Point(s) of Receipt, or
2. the sum of the capacity reservations at the Point(s) of Delivery.

The Reserved Capacity for Firm PTP Transmission Service shall not be adjusted for any Short-Distance Discounts or for any modifications on a non-firm basis in determining the Scheduling, System Control and Dispatch Service Billing Factor.

The Billing Factor for the rate specified in section 1.b(2) for Hourly Non-Firm Service shall be the scheduled kilowatthours.

These Billing Factors apply to all PTP transmission service under the Open Access Transmission Tariff regardless of whether the Transmission Customer actually uses (schedules) the transmission.

b. Network Integration Transmission Service

For Transmission Customers taking Network Integration Transmission Service, the Billing Factor for the rate specified in section 1.a. shall equal the NT Base Charge Billing Factor determined pursuant to section III.A of the Network Integration Rate Schedule (NT-02).

SECTION II. ANCILLARY SERVICE RATES

B. REACTIVE SUPPLY AND VOLTAGE CONTROL FROM GENERATION SOURCES SERVICE

The rates below apply to Transmission Customers taking Reactive Supply and Voltage Control from Generation Sources Service from BPA-TBL. These rates apply to both firm and non-firm transmission service. Transmission arrangements on the Network, on the Southern Intertie, and on the Montana Intertie are each charged separately for Reactive Supply and Voltage Control from Generation Sources Service.

1. RATES

a. Long-Term Firm PTP Transmission Service and NT Service

The rate shall not exceed \$0.067 per kilowatt per month.

b. Short-Term Firm and Non-Firm PTP Transmission Service

For each reservation, the rates shall not exceed:

(1) Monthly, Weekly, and Daily Firm and Nonfirm Service

(a) Days 1 through 5 \$0.003 per kilowatt per day

(b) Day 6 and beyond \$0.002 per kilowatt per day

(2) Hourly Firm and Non-Firm Service

The rate shall not exceed 0.19 mills per kilowatthour.

2. BILLING FACTORS

a. Point-To-Point Transmission Service

For Transmission Customers taking Point-to-Point Transmission Service (PTP, IS, and IM rates), the Billing Factor for each rate specified in section 1.a, 1.b(1) and for Hourly Firm PTP Transmission Service specified in 1.b(2) shall be the Reserved Capacity, which is the greater of:

1. the sum of the capacity reservations at the Point(s) of Receipt, or
2. the sum of the capacity reservations at the Point(s) of Delivery.

The Reserved Capacity for Firm PTP Transmission Service shall not be adjusted for any Short-Distance Discount or for any modifications on a

non-firm basis in determining the Reactive Supply and Voltage Control from Generation Sources Service Billing Factor.

The Billing Factor for the rate specified in section 1.b(2) for Hourly Non-Firm Service shall be the scheduled kilowatthours.

These Billing Factors apply to all PTP transmission service under the Open Access Transmission Tariff regardless of whether the Transmission Customer actually uses (schedules) the transmission.

b. Network Integration Transmission Service

For Transmission Customers taking Network Integration Transmission Service, the Billing Factor for the rate specified in section 1.a. shall equal the NT Base Charge Billing Factor determined pursuant to section III.A of the Network Integration Rate Schedule (NT-02).

c. Adjustment for Self-Supply

The Billing Factors in sections 2.a. and 2.b. above may be reduced as specified in the Transmission Customer's Service Agreement to the extent the Transmission Customer demonstrates to BPA-TBL's satisfaction that it can self-provide Reactive Supply and Voltage Control from Generation Sources Service.

SECTION II. ANCILLARY SERVICE RATES

C. REGULATION AND FREQUENCY RESPONSE SERVICE

The rate below for Regulation and Frequency Response Service applies to Transmission Customers serving loads in the BPA Control Area. Regulation and Frequency Response Service provides the generation capability to follow the moment-to-moment variations of loads in the BPA Control Area and maintain the power system frequency at 60 Hz in conformance with NERC and WECC reliability standards.

1. RATE

The rate shall not exceed 0.30 mills per kilowatthour.

2. BILLING FACTOR

The Billing Factor is the customer's total load in the BPA Control Area, in kilowatthours.

SECTION II. ANCILLARY SERVICE RATES

D. ENERGY IMBALANCE SERVICE

The rates below apply to Transmission Customers taking Energy Imbalance Service from BPA-TBL. Energy Imbalance Service is taken when there is a difference between scheduled and actual energy delivered to a load in the BPA Control Area during a schedule hour.

1. RATES

a. Imbalances Within Deviation Band 1

Deviation Band 1 applies to deviations that are less than or equal to: i) $\pm 1.5\%$ of the scheduled amount of energy, or ii) ± 2 MW, whichever is larger in absolute value. BPA-TBL will maintain deviation accounts showing the net Energy Imbalance (the sum of positive and negative deviations from schedule for each hour) for Heavy Load Hour (HLH) and Light Load Hour (LLH) periods. Return energy may be scheduled at any time during the month to bring the deviation account balances to zero at the end of each month. BPA-TBL will approve the hourly schedules of return energy. The customer shall make the arrangements and submit the schedule for the balancing transaction.

The following rates will be applied when a deviation balance remains at the end of the month:

- (i) When the monthly net energy (determined for HLH and LLH periods) taken by the Transmission Customer is greater than the energy scheduled, the charge is BPA's incremental cost based on the applicable average HLH and average LLH incremental cost for the month.
- (ii) When the monthly net energy (determined for HLH and LLH periods) taken by the Transmission Customer is less than the energy scheduled, the credit is BPA's incremental cost based on the applicable average HLH and LLH incremental cost for the month.

b. Imbalances Within Deviation Band 2

Deviation Band 2 applies to the portion of the deviation i) greater than $\pm 1.5\%$ of the scheduled amount of energy or ± 2 MW, whichever is larger in absolute value, ii) up to and including $\pm 7.5\%$ of the scheduled amount of energy or ± 10 MW, whichever is larger in absolute value.

- (i) When energy taken by the Transmission Customer in a schedule hour is greater than the energy scheduled, the charge is 110% of BPA's incremental cost.
- (ii) When energy taken by the Transmission Customer in a schedule hour is less than the scheduled amount, the credit is 90% of BPA's incremental cost.

c. Imbalances Within Deviation Band 3

Deviation Band 3 applies to the portion of the deviation i) greater than $\pm 7.5\%$ of the scheduled amount of energy, or ii) greater than ± 10 MW of the scheduled amount of energy, whichever is larger in absolute value.

- (i) When energy taken by the Transmission Customer in a schedule hour is greater than the energy scheduled, the charge is 125% of BPA's highest incremental cost that occurs during the that day. The highest daily incremental cost shall be determined separately for HLH and LLH.
- (ii) When energy taken by the Transmission Customer in a schedule hour is less than the scheduled amount, the credit is 75% of BPA's lowest incremental cost that occurs during that day. The lowest daily incremental cost shall be determined separately for HLH and LLH.

2. OTHER RATE PROVISIONS

a. BPA Incremental Cost

BPA's incremental cost will be based on an hourly energy index in the PNW. If no adequate hourly index exists, an alternative index will be used. The index to be used will be posted on the OASIS at least 30 days prior to use for determining the BPA incremental cost and will not be changed more often than once per year unless BPA-TBL determines that the existing index is no longer a reliable price index.

b. Spill Conditions

For any day that the Federal System is in a Spill Condition, no credit is given for negative deviations (actual energy delivered is less than scheduled) for any hour of that day.

c. Intentional Deviation

For any hour(s) that an imbalance is determined by BPA-TBL to be an Intentional Deviation:

- (1) No credit is given when energy taken is less than the scheduled energy.
- (2) When energy taken exceeds the scheduled energy, the charge is the greater of: i) 125% of BPA's highest incremental cost that occurs during that day, or ii) 100 mills per kilowatthour.

SECTION II. ANCILLARY SERVICE RATES

E. OPERATING RESERVE -- SPINNING RESERVE SERVICE

The rates below apply to Transmission Customers taking Operating Reserve -- Spinning Reserve Service from BPA-TBL and to generators in the BPA Control Area for settlement of energy deliveries. Spinning Reserve Service is needed to serve load immediately in the event of a system contingency. For a Transmission Customer's load (located inside or outside of the BPA Control Area) served by generation located in the BPA Control Area, the Transmission Customer's Spinning Reserve Requirement shall be determined consistent with applicable NERC, WECC and NWPP standards.

1. RATES

- a.** The rate shall not exceed 8.39 mills per kilowatthour of the Transmission Customer's Spinning Reserve Requirement.
- b.** For energy delivered, the generator shall, as directed by BPA-TBL, either:
 - (i)** Purchase the energy at the hourly market index price applicable at the time of occurrence, or
 - (ii)** Return the energy at the times specified by BPA-TBL.

2. BILLING FACTORS

- a.** The Billing Factor for Spinning Reserve Service is determined in accordance with applicable WECC and NWPP standards. Application of current standards establish a minimum Spinning Reserve Requirement equal to the sum of:
 - (i)** Two and a half percent (2.5%) of the hydroelectric generation dedicated to the Transmission Customer's firm load responsibility; and
 - (ii)** Three and a half percent (3.5%) of non-hydroelectric generation dedicated to the Transmission Customer's firm load responsibility.
- b.** The Billing Factor for energy delivered when Spinning Reserve Service is called upon is the energy delivered, in kilowatthours.

SECTION II. ANCILLARY SERVICE RATES

F. OPERATING RESERVE -- SUPPLEMENTAL RESERVE SERVICE

The rates below apply to Transmission Customers taking Operating Reserve -- Supplemental Reserve Service from BPA-TBL and to generators in the BPA Control Area for settlement of energy deliveries. Supplemental Reserve Service is available within a short period of time to serve load in the event of a system contingency. For a Transmission Customer's load (located inside or outside the BPA Control Area) served by generation located in the BPA Control Area, the Transmission Customer's Supplemental Reserve Requirement shall be determined consistent with applicable NERC, WECC and NWPP standards.

1. RATES

- a. The rate shall not exceed 8.39 mills per kilowatthour of Supplemental Reserve Requirement.
- b. For energy delivered, the Transmission Customer (for interruptible imports only) or the generator shall, as directed by BPA-TBL, either :
 - (i) Purchase the energy at the hourly market index price applicable at the time of occurrence, or
 - (ii) Return the energy at the times specified by BPA-TBL.

The Transmission Customer shall be responsible for the settlement of delivered energy associated with interruptible imports (see section 2.a(iii)). The generator shall be responsible for the settlement of delivered energy associated with generation in the BPA Control Area.

2. BILLING FACTORS

- a. The Billing Factor for Supplemental Reserve Service is determined in accordance with applicable WECC and NWPP standards. Application of current standards establish a minimum Supplemental Reserve Requirement equal to the sum of:
 - (i) Two and one half percent (2.5%) of the hydroelectric generation dedicated to the Transmission Customer's firm load responsibility, plus
 - (ii) Three and one half percent (3.5%) of non-hydroelectric generation dedicated to the Transmission Customer's firm load responsibility, plus

- (iii) Any power scheduled into the BPA Control Area that can be interrupted on ten (10) minutes' notice.
- b. The Billing Factor for energy delivered when Supplemental Reserve Service is called upon is the energy delivered, in kilowatthours.

SECTION III. CONTROL AREA SERVICE RATES

A. REGULATION AND FREQUENCY RESPONSE SERVICE

The rate below applies to all loads in the BPA Control Area that are receiving Regulation and Frequency Response Service from the BPA Control Area, and such Regulation and Frequency Response Service is not provided for under a BPA-TBL transmission agreement. Regulation and Frequency Response Service provides the generation capability to follow the moment-to-moment variations of loads in the BPA Control Area and maintain the power system frequency at 60 Hz in conformance with NERC and WECC reliability standards.

1. RATE

The rate shall not exceed 0.30 mills per kilowatthour.

2. BILLING FACTOR

The Billing Factor is the customer's total load in the BPA Control Area, in kilowatthours.

SECTION III. CONTROL AREA SERVICE RATES

B. GENERATION IMBALANCE SERVICE

The rates below apply to generation resources in the BPA Control Area if Generation Imbalance Service is provided for in an interconnection agreement or other arrangement. Generation Imbalance Service is taken when there is a difference between scheduled and actual energy delivered from generation resources in the BPA Control Area during a schedule hour.

1. RATES

a. Imbalances Within Deviation Band 1

Deviation Band 1 applies to deviations that are less than or equal to:
i) $\pm 1.5\%$ of the scheduled amount of energy, or ii) ± 2 MW, whichever is larger in absolute value. BPA-TBL will maintain deviation accounts showing the net Generation Imbalance (the sum of positive and negative deviations from schedule for each hour) for Heavy Load Hour (HLH) and Light Load Hour (LLH) periods. Return energy may be scheduled at any time during the month to bring the deviation account balances to zero at the end of each month. BPA-TBL will approve the hourly schedules of return energy. The customer shall make the arrangements and submit the schedule for the balancing transaction.

The following rates will be applied when a deviation balance remains at the end of the month:

- (i) When the monthly net energy (determined for HLH and LLH periods) delivered from a generation resource is less than the energy scheduled, the charge is BPA's incremental cost based on the applicable average HLH and average LLH incremental cost for the month.
- (ii) When the monthly net energy (determined for HLH and LLH periods) delivered from a generation resource is greater than the energy scheduled, the credit is BPA's incremental cost based on the applicable average HLH and LLH incremental cost for the month.

b. Imbalances Within Deviation Band 2

Deviation Band 2 applies to the portion of the deviation i) greater than $\pm 1.5\%$ of the scheduled amount of energy or ± 2 MW, whichever is larger in absolute value, ii) up to and including $\pm 7.5\%$ of the scheduled amount of energy or ± 10 MW, whichever is larger in absolute value.

- (i) When energy delivered in a schedule hour from the generation resource is less than the energy scheduled, the charge is 110% of BPA's incremental cost.
- (ii) When energy delivered from the generation resource is greater than the scheduled amount, the credit is 90% of BPA's incremental cost.

c. Imbalances Within Deviation Band 3

Deviation Band 3 applies to the portion of the deviation i) greater than $\pm 7.5\%$ of the scheduled amount of energy, or ii) greater than ± 10 MW of the scheduled amount of energy, whichever is larger in absolute value.

- (i) When energy delivered in a schedule hour from the generation resource is less than the energy scheduled, the charge is 125% of BPA's highest incremental cost that occurs during that day. The highest daily incremental cost shall be determined separately for HLH and LLH.
- (ii) When energy delivered from the generation resource is greater than the scheduled amount, the credit is 75% of BPA's lowest incremental cost that occurs during that day. The lowest daily incremental cost shall be determined separately for HLH and LLH.

2. OTHER RATE PROVISIONS

a. BPA Incremental Cost

BPA's incremental cost will be based on an hourly energy index in the PNW. If no adequate hourly index exists, an alternative index will be used. The index to be used will be posted on the OASIS at least 30 days prior to use for determining the BPA incremental cost and will not be changed more often than once per year unless BPA-TBL determines that the existing index is no longer a reliable price index.

b. Spill Conditions

For any day that the Federal System is in a Spill Condition, no credit is given for negative deviations (actual generation greater than schedules) for any hour of that day.

c. Intentional Deviation

No credit is given for negative deviations (actual generation greater than schedules) for any hour(s) that the imbalance is an Intentional Deviation (as determined by BPA-TBL).

For positive deviations (actual generation less than schedules) which are determined by BPA-TBL to be Intentional Deviations, the charge is the greater of: i) 125% of BPA's highest incremental cost that occurs during that day, or ii) 100 mills per kilowatthour.

d. Exemptions from Deviation Band 3

The following resources are not subject to Deviation Band 3:

- i) wind resources; and
- ii) new generation resources undergoing testing before commercial operation for up to 90 days.

All such deviations greater than $\pm 1.5\%$ or ± 2 MW will be charged consistent with section 1.b., Imbalances Within Deviation Band 2.

SECTION III. CONTROL AREA SERVICE RATES

C. OPERATING RESERVE -- SPINNING RESERVE SERVICE

Operating Reserve -- Spinning Reserve Service must be purchased by a party with generation in the BPA Control Area that is receiving this service from BPA-TBL, and such Spinning Reserve Service is not provided for under a BPA-TBL transmission agreement. Service is being received if there are no other qualifying resources providing this required reserve service in conformance with NERC, WECC and NWPP standards.

1. RATES

- a.** The rate shall not exceed 8.39 mills per kilowatthour of Spinning Reserve Requirement
- b.** For energy delivered, the customer shall, as directed by BPA-TBL, either:
 - (i)** Purchase the energy at the hourly market index price applicable at the time of occurrence, or
 - (ii)** Return the energy at the times specified by BPA-TBL.

2. BILLING FACTORS

- a.** The Billing Factor for Spinning Reserve Service is determined in accordance with applicable WECC and NWPP standards. Application of current standards establish a minimum Spinning Reserve Requirement equal to the sum of:
 - (i)** Two and one half percent (2.5%) of the hydroelectric generation dedicated to the customer's firm load responsibility, plus
 - (ii)** Three and one half percent (3.5%) of non-hydroelectric generation dedicated to the customer's firm load responsibility.
- b.** The Billing Factor for energy delivered when Spinning Reserve Service is called upon is the energy delivered, in kilowatthours.

SECTION III. CONTROL AREA SERVICE RATES

D. OPERATING RESERVE -- SUPPLEMENTAL RESERVE SERVICE

Operating Reserve -- Supplemental Reserve Service must be purchased by a party with generation in the BPA Control Area that is receiving this service from BPA-TBL, and such Supplemental Reserve Service is not provided for under a BPA-TBL transmission agreement. Service is being received if there are no other qualifying resources providing this required reserve service in conformance with NERC, WECC and NWPP standards.

1. RATES

- a.** The rate shall not exceed 8.39 mills per kilowatthour of Supplemental Reserve Requirement
- b.** For energy delivered, the customer shall, as directed by BPA-TBL, either:
 - (i)** Purchase the energy at the hourly market index price applicable at the time of occurrence, or
 - (ii)** Return the energy at the times specified by BPA-TBL.

2. BILLING FACTORS

- a.** The Billing Factor for Supplemental Reserve Service is determined in accordance with applicable WECC and NWPP guidelines. Application of current guidelines establish a minimum Supplemental Reserve Requirement equal to the sum of:
 - (i)** Two and one half percent (2.5%) of the hydroelectric generation dedicated to the customer's firm load Responsibility, plus
 - (ii)** Three and one half percent (3.5%) of non-hydroelectric generation dedicated to the customer's firm load responsibility, plus
 - (iii)** Any power scheduled into the BPA Control Area that can be interrupted on ten (10) minutes' notice.
- b.** The Billing Factor for energy delivered when Supplemental Reserve Service is called upon is the energy delivered, in kilowatthours.

SECTION IV. ADJUSTMENTS, CHARGES, AND OTHER RATE PROVISIONS

A. RATE ADJUSTMENT DUE TO FERC ORDER UNDER FPA §212

Customers taking service under this rate schedule are subject to the Rate Adjustment Due to FERC Order under FPA §212 specified in section II.D of the GRSPs.

GRSP – Section III Definitions

61. Spill Condition

Spill Condition, for the purpose of determining credit or payment for Deviations under the Energy Imbalance and Generation Imbalance rates, exists when spill physically occurs on the BPA system due to lack of load or market. Spill due to lack of load or market typically occurs during periods of high flows or flood control implementation, but can also occur at other times. Discretionary spill, where BPA may choose whether to spill, does not constitute a Spill Condition. Spill for fish is included in discretionary spill and is not a Spill Condition.

Attachment 2

Unauthorized Increase Charge (UIC) Examples

1. Reservation

The customer purchases 10 MWs of PTP for 9 days, January 29 to February 6.

Unauthorized Increase (UI)

On January 30, the customer schedules 15 MWs under this reservation, a UI of 5 MWs. This is the highest UI for this Reservation for the month of January.

PTP rate for 9-day service (Short-Term Weekly Service)

$$(5 \text{ days} * .047) + (4 \text{ days} * .035) = \$0.375 \text{ per kW}$$

PTP rate for Long-Term service

$$\$1.028 \text{ per kW per month}$$

Since the 9-day rate for short-term weekly service is less than the monthly rate for long-term service, the 9-day rate is used.

UIC rate

$$2 * .375 = \$0.75 \text{ per kW}$$

UIC charge for January

$$5,000 \text{ kW} * \$0.75 \text{ per kW} = \$3,750$$

2. Reservation

The customer purchases 10 MWs of IS for 40 days, January 20 to February 28.

Unauthorized Increase (UI)

On January 30, the customer schedules 15 MWs under this reservation, a UI of 5 MWs. This is the highest UI for this Reservation for the month of January.

IS rate for 40-day service (Short-Term Monthly Service)

$$(5 \text{ days} * .054) + (35 \text{ days} * .040) = \$1.670 \text{ per kW}$$

IS rate for Long-Term Service

\$1.176 per kW per month

Since the 40-day rate for short-term monthly service is greater than the monthly rate for long-term service, the monthly rate for long-term service is used to calculate the UIC.

UIC rate

$$2 * 1.176 = \$2.352 \text{ per kW}$$

UIC charge for January

$$5,000 \text{ kW} * \$2.352 \text{ per kW} = \$11,760$$

Attachment 3 Initial Proposal Rates

RATE	\$/kW/mo (except where noted)
FPT-04.1	
Main Grid	
• Distance	\$0.0511/mile
• Interconnection Terminal	0.53
• Terminal	0.59
• Miscellaneous Facilities	2.91
Secondary System	
• Distance	\$0.5021/mile
• Transformation	5.49
• Intermediate Terminal	2.12
• Interconnection Terminal	1.50
FPT-04.3 (FY 2005) *	
Main Grid	
• Distance	\$0.0518/mile
• Interconnection Terminal	0.54
• Terminal	0.60
• Miscellaneous Facilities	2.96
Secondary System	
• Distance	\$0.5095/mile
• Transformation	5.57
• Intermediate Terminal	2.15
• Interconnection Terminal	1.52
* FPT-04.3 rates will remain at FPT-02.3 levels for FY 2004, and increase by 3% (shown here) over FPT-02.3 levels for FY 2005.	
IR-04	1.261
NT-04	
• Base	1.028
• Load Shaping	0.425 *
	*(reflects 1.5% + \$1M)
PTP-04	
• Long-Term	1.028
• Short-Term (per day)	
• Days 1-5	.047
• Day 6 and beyond	.035
• Hourly	2.96 mills/kWh

Attachment 3
Initial Proposal Rates (cont'd)

RATE	\$/kW/mo (except where noted)
IS-04	
• Long-Term	1.176
• Short-Term (per day)	
• Days 1-5	.054
• Day 6 and beyond	.040
• Hourly	3.39 mills/kWh
IM-04	
• Long-Term	1.258
• Short-Term (per day)	
• Days 1-5	.058
• Day 6 and beyond	.042
• Hourly	3.61 mills/kWh
Utility Delivery Charge	.946
GTA Delivery Charge	.946
Unauthorized Increase Charge	<ul style="list-style-type: none"> • <u>PTP Service</u>: Not to exceed 2 times the monthly rate for Long-Term Service • <u>NT Service</u>: \$2.056/kW/mo
ACS-04	
Scheduling	
• Long-Term	.166
• Short-Term (per day)	
• Days 1-5	.008
• Day 6 and beyond	.005
• Hourly	0.48 mills/kWh
Generation Reactive	
• Long-Term	.067
• Short-Term (per day)	
• Days 1-5	.003
• Day 6 and beyond	.002
• Hourly	0.19 mills/kWh
Regulation and Frequency Response (Ancillary & Control Area rates)	.30 mills/kWh
Operating Reserves (Ancillary & Control Area rates)	8.39 mills/kWh

Attachment 4

Open Access Transmission Tariff Revised Attachment K

For the period October 1, 2003, through September 30, 2005, to the extent the Transmission Provider determines that redispatch of Network Resources is necessary to maintain Network Integration Transmission (NT) Service, the Transmission Provider shall implement redispatch in accordance with the provisions of this Attachment K. Attachment K addresses only circumstances in which the Tariff requires NT and Point-to-Point (PTP) uses on a constraint be reduced on a comparable basis.

1. The Transmission Provider shall not issue redispatch instructions under this Attachment K to increase ATC.
2. The BPA Power Business Line (PBL) will inform the Transmission Provider of all non-power constraints that limit the PBL's ability to redispatch generation resources. The Transmission Provider will not violate these non-power constraints unless an emergency situation leaves no other alternative for maintaining system reliability or providing safety to individuals or property. Notwithstanding any other provision of Attachment K, the protection of transmission system reliability and the safety of people and property will be the primary criteria the Transmission Provider will use in an emergency situation.
3. PBL will provide the Transmission Provider federal hydroelectric generation resource set points. The Transmission Provider may request changes to such set points. Not all changes to set points are redispatch.
4. For redispatch that occurs within the hour of delivery:

If the Transmission Provider determines that a redispatch of federal hydro-electric projects is necessary to maintain the reliability of the FCRTS in real-time and the Transmission Provider is unable to calculate the portion of the constraint attributable to NT schedules, the Transmission Provider may redispatch the federal hydro-electric projects as necessary to relieve the constraint for the remainder of the hour and, if the event occurs twenty minutes past the hour, for the next hour also. However, the Transmission Provider must make the determination described in section 5 as soon as possible, not to exceed 100 minutes after the need for redispatch arises, and adjust the redispatch instructions accordingly.

5. For Day-ahead and Hour-ahead redispatch:
 - a. The Transmission Provider will use redispatch only to manage congestion on the FCRTS that would impact NT schedules. The Transmission Provider will redispatch the system only to the extent necessary to maintain the NT schedules.
 - b. The Transmission Provider will not issue any redispatch instructions until it has curtailed all non-firm schedules across the constrained path.
 - c. If the Transmission Provider determines that a constraint can be relieved by redispatching federal hydro-electric projects, the Transmission Provider will determine what portion of the constraint is caused by NT schedules and what portion is caused by PTP schedules. Then the Transmission Provider will issue a redispatch instruction in an amount that will relieve the NT portion of the constraint and will curtail the PTP schedules in an amount necessary to relieve the PTP portion of the constraint.
 - d. If the Transmission Provider determines that the portion of the constraint caused by NT schedules cannot be relieved by only redispatching federal hydro-electric projects, the Transmission Provider will contact the PBL schedulers and inform the PBL schedulers of the amount of NT schedule associated with the constraint. The PBL schedulers will attempt to relieve the constraint by the least cost means, including, but not limited to, purchasing alternative transmission from a third party, purchasing replacement generation from a third-party and redispatching federal generation accordingly, or requesting third party generation to decrease and using federal generation to replace the third-party generation. In making these arrangements the PBL will act as a purchasing agent for the Transmission Provider.
6. The Transmission Provider will not request redispatch for any purpose under the Tariff other than that stated herein or otherwise required by the Tariff.

Attachment 5

Business Practices and Systems Forum

BPA TBL will meet with Transmission Customers at least three times between November 2002 and September 2003 to discuss Business Practices and systems used to implement TBL's Open Access Transmission Tariff and its Transmission and Ancillary Service Rate Schedules. TBL agrees to discuss the following issues identified during TBL Rate Case Workshops held in September and October 2002:

1. TBL's Business Practices on Operating Reserves – Spinning and Supplemental Services,
2. Real Power Losses,
3. Curtailment during Real-Time, including PTP curtailment based on contract demand vs. schedules, and
4. Scheduling practices and associated systems, including wind resource scheduling.

Prior to the first meeting, TBL will draft and circulate principles to govern the meetings. TBL will post on its website the meeting location and agenda at least 10 days prior to each meeting. The first meeting will take place no later than December 13, 2002.

TBL and the Transmission Customers agree to use best efforts to ensure that the appropriate technical, and other, staff attend the meetings (either in person or by telephone conference) to facilitate meaningful discussions.

The parties agree that these meetings are designed to supplement, not revise, TBL's existing process to develop its Business Practices and systems. Further, while TBL agrees to work in good faith to discuss and address Transmission Customer concerns, TBL retains discretion to determine whether to make any changes to its Business Practices or systems as a result of the meetings. TBL will use the meetings to solicit feedback for use in developing or revising its Business Practices or systems, but is under no obligation to develop new Business Practices or systems or make any changes to existing Business Practices or systems. If TBL changes its Business Practices or systems, whether on its own or as a result of Transmission Customer input at the meetings, it will use its best efforts to implement those changes in a timely manner pursuant to TBL's established Business Practice process. The Transmission Customers retain all rights under TBL's Open Access Transmission Tariff, as it may be amended, to challenge TBL's Business Practices.